



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 1, 2000

S. 1612

Missouri River Basin, Middle Loup Division Facilities Conveyance Act

*As reported by the Senate Committee on Energy and Natural Resources
on August 25, 2000*

SUMMARY

S. 1612 would direct the Secretary of the Interior to convey certain facilities, lands, and rights to the Farwell Irrigation District, the Sargent Irrigation District, and the Loup Basin Reclamation District, in the state of Nebraska. Under the bill, these districts would pay the federal government about \$2.8 million for the Sherman Reservoir, Milburn Diversion Dam, Arcadia Diversion Dam, related canals and lands, and other associated rights and interests currently owned by the United States.

Based on information from the Bureau of Reclamation, CBO estimates that enacting S. 1612 would result in net receipts of about \$1.3 million over the 2001-2005 period: \$2.8 million in asset sale receipts, offset by \$1.5 million of forgone offsetting receipts over that period.

Because enacting S. 1612 would affect direct spending, pay-as-you-go procedures would apply. CBO estimates a net pay-as-you-go cost of \$1.5 million over the 2001-2005 period, reflecting the forgone offsetting receipts. The asset sale receipts would not count for pay-as-you-go purposes because the sale of assets under S. 1612 would result in a net financial cost (on a present value basis) to the federal government.

CBO estimates that implementing this bill would have no net effect on discretionary spending in 2001, but would result in a very small decrease in discretionary spending each year thereafter.

S. 1612 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). The conveyance provided for in this bill would be voluntary on the part of the districts, and all costs incurred by them as a result of the conveyance also would be voluntary.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1612 is shown in the following table. The costs of this legislation fall within budget function 300 (natural resources and environment).

	By Fiscal Year, in Millions of Dollars				
	2001	2002	2003	2004	2005
CHANGES IN DIRECT SPENDING					
Asset Sale Receipts					
Estimated Budget Authority	-2.8	0	0	0	0
Estimated Outlays	-2.8	0	0	0	0
Forgone Offsetting Receipts					
Estimated Budget Authority	0.3	0.3	0.3	0.3	0.3
Estimated Outlays	0.3	0.3	0.3	0.3	0.3
Net Changes					
Estimated Budget Authority	-2.5	0.3	0.3	0.3	0.3
Estimated Outlays	-2.5	0.3	0.3	0.3	0.3

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 1612 will be enacted near the start of fiscal year 2001. We expect that the project would be conveyed to the districts in fiscal year 2001. The bill would require the water districts to pay about \$2.8 million for the facilities that would be conveyed.

Currently, those districts have fixed repayment and water service contracts with the Bureau. Those contracts result in payments of about \$300,000 a year through 2016 and about \$130,000 a year over the remaining life of the contract (through 2042). Once the assets are conveyed to the districts, those repayments would no longer occur, and would result in a loss of offsetting receipts to the federal government. In addition, customers of the Western Area Power Administration (WAPA) are scheduled to pay a total of \$29 million to the government over the 2036-2042 period to assist with the repayment of the cost of these facilities. Enactment of S. 1612 would lead to a loss of these receipts as well.

S. 1612 would direct the Western Area Power Administration (WAPA) to transfer \$2.6 million of receipts from the sale of electricity at the Pick-Sloan Missouri River Basin project to the reclamation fund at the time of the transfer or as soon as certain conditions are

met. That intragovernmental payment would represent the net present value of \$29 million in payments that WAPA customers owe to the government under current law over the 2036-2042 period. The bill specifies that WAPA shall not increase the electricity rates to offset this payment; consequently, this provision would have no budgetary effect.

Based on information from the Bureau of Reclamation, CBO estimates that the agency currently spends less than \$60,000 each year for expenses related to the projects to be conveyed under S. 1612. After the projects are conveyed, these expenses would no longer be incurred, resulting in a small savings to the government. However, in the year of the conveyance, CBO expects that the bureau would spend about the same amount to administer the conveyance, resulting in no net change in discretionary spending in 2001.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. Enactment of S. 1612 would result in the loss of offsetting receipts of \$0.3 million annually over the 2001-2010 period, and additional amounts later. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Changes in outlays	0	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Changes in receipts											

Under the Balanced Budget Act (BBA), proceeds from nonroutine asset sales (sales that are not authorized under current law) may be counted for pay-as-you-go purposes only if the sale would entail no financial cost to the government. Under BBA, "financial cost to the government" is defined in terms of the present value of all cash flows associated with an asset sale. CBO estimates that the sale of the Sherman Reservoir, Milburn Diversion Dam, Arcadia Diversion Dam, and all other associated rights and interests as specified in S. 1612 would result in a net cost to the federal government of about \$0.4 million. Therefore, the proceeds of this sale would not be counted for pay-as-you-go purposes. The forgone offsetting receipts resulting from this asset sale—less than \$500,000 annually—would be counted for purposes of enforcing pay-as-you-go procedures.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 1612 contains no intergovernmental mandates as defined in UMRA. The bill would require the districts to pay approximately \$2.8 million to receive title to federal facilities, and would impose a number of other conditions. The conveyance would be voluntary on the part of the districts, however, and all costs incurred by them as a result would be voluntary. The bill would impose no costs on any other state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

This bill contains no new private-sector mandates as defined in UMRA.

PREVIOUS CBO ESTIMATE

On September 1, 2000, CBO transmitted a cost estimate for H.R. 2984, a bill to direct the Secretary of the Interior, through the Bureau of Reclamation, to convey to the Loup Basin Reclamation District, the Sargent River Irrigation District, and the Farwell Irrigation District, Nebraska, property comprising the assets of the Middle Loup Division of the Missouri River Basin Project, Nebraska, as ordered reported by the House Committee on Resources on June 21, 2000. These two pieces of legislation are similar and our cost estimates are the same.

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